

HOW TO COLLECT DEBTS OTHER PEOPLE OWE YOU

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How many "bad debt accounts" do you have? How many of these do you expect to ever finally collect? Actually, the reason most "bad debts" are never collected is because the holder of the bad debt eventually forgets about them because of the collection effort, or else simply writes them off as another income tax loss.

So, if you'd like to collect some of those bad debts you've got stashed away in a special file at the back of your file drawer, the first thing you should do is set up a regular routine for dealing with these customers and follow through on a collection plan. You should definitely investigate each new customer's credit rating before you advance him any credit. Tell him of your credit terms verbally, and print them on your bills, and also state the customers are liable for reasonable collection fees. If you make it a practice to bill your customer promptly, you'll find that your customers are more apt to pay promptly. On the other hand, if you run your business in a slipshod manner, you'll find your customers slipshod in their dealings with you.

Should a customer fall behind in his payments, you should start with a mild past-due letter to remind him, perhaps alluding that he may have forgotten the due date of his payment. With this letter, you should definitely include a duplicate invoice stamped, past due.

Then about two weeks later, send a second letter, this one more strongly worded than the first, but at the same time in a dignified and courteous tone. The important thing here is to leave him an opening to voice a legitimate complaint if he has one, but at the same time demanding some sort of communication from him about this matter.

Should you still not receive payment or any word from your debtor, send still another letter - your third - in which you apply a bit more pressure and appeal to his sense of fair play. Mention his credit rating and let him know that if he doesn't pay, you'll be forced to turn his account over to a collection agency - however, never make threats you don't intend to carry out.

Finally, two weeks after you've sent out your third letter and you still haven't heard from him, automatically turn his account over to a collection agency.

No one likes to be on a collection agency's list, and once your customer find out that you will indeed, turn their accounts over to an outside agency for collection, they'll quickly accept the fact that you're running a "tight ship", and not try to use you for a soft touch.

Be consistent in your collection procedures, and don't allow special favors. Set up a regular routine for collecting from past due accounts, and then stick with that procedure. Something else worth mentioning is the fact that unless you have supporting evidence to show that you have attempted to collect you bad debts, the IRS will disallow you to write them off as a business loss.

Some of the things to keep in mind... Your collection letters should contain the date, name/address of the debtor, a description of the merchandise involved or the services rendered, and the amount due. It's also a very good idea to include a self-addressed reply envelope in order to make it easy for him to mail his check. Something else to consider is the use of imprinted envelopes with the phrase - Address Correction Requested - so the post office will provide you with a

forwarding address in case he has moved.

In almost all cases, you should address your letter to a specific person, not to either the purchasing department or the company in general. In other words, it should be your endeavor to try to continue your relationship with the person who signed authorization for the purchase in the first place. Your letters should be firm but reasonable, and should leave the debtor an opportunity to set up a schedule of payments or an honorable way out of his financial problems.

Telephone calls work very well in that they usually catch the "slow payer" off guard, and can result in his promising to pay by or on a certain date. The thing is though, before you start calling on bad debts, be sure that you're thoroughly familiar with his account, and that you have his file in front of you when you make your call.

You or one of your agents might make a personal visit to see him and discuss the reasons why he hasn't paid, but if he doesn't want to talk to you and orders you off his property, you must not argue or attempt to reason with him. The only thing you can do in such a situation is to leave without further words.

When you do visit the debtor and he offers a partial payment, by all means accept it. Start by demanding the whole amount, but be ready to accept whatever he offers, and work out some sort of payment schedule from there. If you can't collect the money, try bartering - in other words, trade the price of your bill for something he has that you can either use, sell or trade. Only as a last resort should you attempt to take back the merchandise you sold him.

One other thing, if you claims to have mailed you a check more than a few days ago - long enough for the check to have reached you - demand that he stop payment on it and issue a new check. Above all else, keep cool and don't argue or become threatening towards him.

To get results, collection letters should be distinctive. Some companies use a special letterhead printed in red ink which attracts the eye better than any other color and gets maximum attention. At the same time, a great many of the collection agencies say that smaller than standard sized paper, plus the use of paper that feels and looks expensive, always gets better results.

Never use humor in a collection letter. If you do, your recipient won't take your collection efforts seriously. Maintain a sense of urgency, but don't imply that you're angry - serious, yes - but angry, no. The psychology behind the tone of your collection letters is simply that the recipients tend to duplicate it.

You should send out your letters over planned intervals - about once every 10 days or two weeks. This will work in your favor because when several creditors are on a debtor's heels, he generally responds the fastest to whoever is the most insistent.

Be sure you don't ever defame a debtor in writing. To do so will give him a chance to "hang you" for libel. To always make sure you're within your legal rights when trying to collect a bad debt, keep these rules in mind!

Address yourself only to the person responsible for the bill that's owed.

Send your collection letters in sealed envelopes to ensure that other people don't see them.

When phoning him or her, don't discuss the nature of the call with anyone else. Don't attack him or her personally, even if what you say about them is true.

It's okay to disclose the next step in your collection efforts - you're going to turn his account over to a collection agency, or to take him to court - but don't describe what will happen to him if he doesn't pay.

And finally, always make it as easy as possible for a bad debtor to pay up.

Thousands, even millions of "bad debts" can be collected - but, it takes a planned collection procedure and the tenacity to last them out - the best of luck to you!